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Spain

Tomatoes and Products

Semi-Annual

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Report Highlights:

A large crop of tomatoes for processing in MY 2001/02 resulted in higher exports and ending stocks. Processors actually received fewer tomatoes for the season, however, in order to avoid paying penalties due to over production. For MY 2002/03, area planted in processing tomatoes declined to about 59,900 hectares, some 3 percent lower than the previous year; some of the crop was consumed directly as fresh tomatoes. During the first eight months of CY 2002, Spanish exports to the United States included 5,669 tons of fresh tomatoes, 4,517 tons of tomato paste and 1,697 tons of whole peeled tomatoes.

Includes PSD changes: Yes

Includes Trade Matrix: No

Semi-Annual Report

Madrid [SP1], SP

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|-------------------------|---|
| Executive Summary | 1 |
| PSD Tables | 2 |
| Production | 4 |
| Consumption | 5 |
| Trade | 6 |
| Stocks | 6 |
| Policy | 6 |
| Marketing | 7 |

Executive Summary

In CY 2002, total tomato production declined to 3.65 million tons, down 2 percent from previous year. The harvest of tomatoes for fresh consumption, which make up about 60 percent of the total crop, declined due to lower crop area and to bad weather during the spring. This year's decline in crop area was a reaction to lower prices in 2001; an abundant crop and strong competition from Moroccan tomatoes depressed prices for fresh tomatoes in throughout most of last year.

Output of tomatoes for processing, which make up the other 40 percent of the total crop, declined as early rains in September hurt quality and cut yields.

In volume terms, production of tomatoes for processing reached 1.53 million tons in CY 2002, which was about 292,000 tons over the EU quota. In order to avoid EU penalties, producers reduced the amount of tomatoes delivered for processing to about 1.3 million tons. (Spain's quota for processing is 1,238,606 tons.) Since Italy, France and Portugal were also affected by unfavorable weather during the summer of 2002, EU production should be below the overall quota; consequently, Spanish producers don't believe they will be hit by EU penalties in MY 2003/4.

Under the new CAP for processing tomatoes, subsidies are allocated to farmers instead of to industry. The new system is resulting in shifts in production to areas with higher productivity. According to farm sources, the big winner from this change is the region of Extremadura, the region with the largest tomato area in Spain. The region increased production of processing tomatoes to about 1.3 million tons in CY 2002, while total Spanish production fell. As a consequence, Extremadura's share of the crop of processing tomatoes jumped to 80 percent.

NOTE: Current exchange rate is 1.0 Euros/1 U.S. dollar.

PSD Tables

| | | | | | | |
|------------------------|----------------|---------|-------------|---------|----------|---------|
| PSD Table | | | | | | |
| Country | Spain | | | | | |
| Commodity | Fresh Tomatoes | | | | (HA)(MT) | |
| | Revised | 2000 | Preliminary | 2001 | Forecast | 2002 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/2000 | | 01/2000 | | 01/2000 |
| Plnt For Fresh Consump | 0 | 35600 | 0 | 34500 | 0 | 31800 |
| Plnt For Processing | 0 | 24600 | 0 | 27000 | 0 | 28100 |
| TOTAL Area Planted | 0 | 60200 | 0 | 61500 | 0 | 59900 |
| Harv. For Fresh Cons. | 0 | 35600 | 0 | 34500 | 0 | 31800 |
| Harv. For Processing | 0 | 24600 | 0 | 27000 | 0 | 28100 |
| TOTAL Area Harvested | 0 | 60200 | 0 | 61500 | 0 | 59900 |
| Fresh Sale Production | 0 | 2200700 | 0 | 2161700 | 0 | 2123200 |
| Processing Production | 0 | 1396400 | 0 | 1568200 | 0 | 1530300 |
| TOTAL Production | 0 | 3597100 | 0 | 3729900 | 0 | 3653500 |
| TOTAL SUPPLY | 0 | 3597100 | 0 | 3729900 | 0 | 3653500 |

| | | | | | | |
|----------------------|-----------------------------|---------|-------------|---------|----------------------|---------|
| PSD Table | | | | | | |
| Country | Spain | | | | | |
| Commodity | Tom. Paste,28-30% TSS Basis | | | | (MT)(MT, Net Weight) | |
| | Revised | 2000 | Preliminary | 2001 | Forecast | 2002 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 07/2000 | | 07/2001 | | 07/2002 |
| Deliv. To Processors | 967505 | 967505 | 1264757 | 1264757 | 1150000 | 1080500 |
| Beginning Stocks | 20900 | 20900 | 3709 | 3709 | 38455 | 16987 |
| Production | 169718 | 169718 | 225849 | 225849 | 205357 | 192946 |
| Imports | 15058 | 17791 | 13715 | 8296 | 10000 | 4000 |
| TOTAL SUPPLY | 205676 | 208409 | 243273 | 237854 | 253812 | 213933 |
| Exports | 75967 | 90737 | 64818 | 95867 | 70000 | 85000 |
| Domestic Consumption | 126000 | 113963 | 140000 | 125000 | 150000 | 127000 |
| Ending Stocks | 3709 | 3709 | 38455 | 16987 | 33812 | 1933 |
| TOTAL DISTRIBUTION | 205676 | 208409 | 243273 | 237854 | 253812 | 213933 |

| | | | | | | |
|----------------------|-----------------|---------|-------------|---------|----------------------|---------|
| PSD Table | | | | | | |
| Country | Spain | | | | | |
| Commodity | Canned Tomatoes | | | | (MT)(MT, Net Weight) | |
| | Revised | 2000 | Preliminary | 2001 | Forecast | 2002 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 07/2000 | | 07/2001 | | 07/2002 |
| Deliv. To Processors | 234748 | 234748 | 234500 | 234500 | 235000 | 219500 |
| Beginning Stocks | 20000 | 20000 | 5892 | 7209 | 6489 | 3903 |
| Production | 195623 | 195623 | 195400 | 195400 | 195833 | 182900 |
| Imports | 2817 | 1660 | 1063 | 1144 | 1000 | 950 |
| TOTAL SUPPLY | 218440 | 217283 | 202355 | 203753 | 203322 | 187753 |
| Exports | 54548 | 52074 | 40866 | 52494 | 42000 | 52000 |
| Domestic Consumption | 158000 | 158000 | 155000 | 147356 | 156322 | 132067 |
| Ending Stocks | 5892 | 7209 | 6489 | 3903 | 5000 | 3686 |
| TOTAL DISTRIBUTION | 218440 | 217283 | 202355 | 203753 | 203322 | 187753 |

Notes on data: Supply and distribution data for processed tomatoes are expressed in terms of net weight. Net weight data have been computed applying a .85 factor on gross weight data. Supply and distribution data are on a 28/30 tomato solid content basis. About 80 percent of tomato paste production in Spain is 28-30 percent TSS double concentrated level paste, and 20 percent is the triple concentrate level of 36-38 percent TSS.

An estimated 1.2 kilograms of fresh tomatoes are currently yielding about one kilogram of canned peeled tomatoes, net weight basis. TSS tomato paste (28-30 percent) is produced at an average industrial rate of 1 kilo for every 5.6 kilos of fresh tomatoes. "Tomate frito," the most popular sauce, is produced at a rate of a 2.15 kilos for every 1 kilo of TSS tomato paste, while the same amount of paste will yield 0.3 kilos of tomato powder.

Production

Despite an increase in crop area, production of tomatoes for processing declined to about 1.53 million tons, some 291,000 tons more than the production quota allocated to Spain. Unfavorable weather conditions during the harvest caused the drop in yields. Although the amount of tomatoes delivered for processing was higher than the quota, no penalties are expected for marketing year 2003/4 since total EU production is likely to be below its overall quota. For MY 2003/4, an abundant crop of tomatoes for processing is expected despite lower prices and penalties for processing tomatoes in MY 2002/3. Without penalties for processing tomatoes in 2003/04, production would rise even further.

During the six first months of CY 2002 the average price of tomatoes for fresh consumption was around 0.75 euros (\$0.73) per kilogram, in comparison with 0.46 euros (\$0.45) in the same period of previous year. These profitable prices in CY 2002 could fuel higher production in CY 2003.

The market price for tomatoes for processing was about 50.33 euros (\$49.34) per ton in MY 2001/02. Besides the market price, in MY 2002/03 farmers will also receive an EU subsidy of 31.46 euros (\$28.60) per ton of fresh tomatoes for processing in paste or most other tomato products and 34.46 euros (\$31.30) per ton for processing into whole peeled tomatoes. At these rates, farmers delivering to processors receive about 60 percent of their income from the market and 40 percent from EU subsidies.

Of the roughly 1.3 million tons of tomatoes delivered to processors in 2002, about 910,000 tons were processed into tomato paste, 64,000 tons percent into whole peeled tomatoes, and the balance, into "other" categories.

Reservoirs in production areas should have enough water to meet demand from tomato farmers during the next few years. The cost of labor, currently about \$7 per hour, is encouraging mechanization and new methods to harvest the crop. In addition, the planting of new varieties has increased yields. The "Rio Fuego" variety is one of the most popular planted.

| | | | |
|---------------|----------------|----------------------|------------|
| Prices Table | | | |
| Country | Spain | | |
| Commodity | Fresh Tomatoes | | |
| Prices in | Euros | per uom | Metric Ton |
| | | | |
| Year | 2001 | 2002 | % Change |
| Jan | 464 | 758 | 63.36% |
| Feb | 421 | 832 | 97.62% |
| Mar | 434 | 1290 | 197.24% |
| Apr | 496 | 888 | 79.03% |
| May | 368 | 472 | 28.26% |
| Jun | 643 | 287 | -55.37% |
| Jul | 431 | 310 | -28.07% |
| Aug | 156 | 160 | 2.56% |
| Sep | 156 | 170 | 8.97% |
| Oct | 295 | 350 | 18.64% |
| Nov | 492 | | -100.00% |
| Dec | 719 | | -100.00% |
| | | | |
| Exchange Rate | 1 | Local currency/US \$ | |

Consumption

Fresh tomato consumption declined due to higher prices and lower production. The consumption of tomato products is growing due to gains for "tomate frito", the most popular sauce, and to new tomato products. One of these, pasteurized gazpacho (a ready-to-eat, processed cold soup) has been a big hit with consumers, with sales climbing by about 20 percent again in CY 2002. Both fresh and processing tomatoes have a reputation as healthy products for Spanish consumers. For the next few years, new further gains in the consumption of both fresh and processed tomatoes are expected due to growth in the number of tourists, in population and in new product development.

Trade

During the first eight months of CY 2002, exports of fresh tomatoes amounted 581,433 tons, down 21 percent compared to the same period of CY 2001. During the same period exports of tomato paste rose by 16 percent, while those of peeled tomatoes declined marginally by about 3 percent

The export of tomato products is expected to decline in MY 2002/3 due to lower production. However, exports of fresh tomatoes could rise due to an expected larger crop. The bulk of both fresh and processed exports go to other EU markets, with the Netherlands, Germany, the United Kingdom and France being the main destinations. During the first eight months of CY 2002, Spanish exports to the United States totaled 5,669 tons of fresh tomatoes, up 14 percent in comparison with the same period of the previous year. During the same period, exports of tomato paste rose to 4,517 tons, up 71 percent and exports of whole peeled tomatoes declined to 1,697 tons, down 33 percent.

Spanish tomato producers are highly sensitive to competition from lower-cost products from Morocco. One persistent worry among tomato farmers is that the EU will give Morocco more access to EU tomato markets. For MY 2001/2, the EU commission increased the Moroccan import quota for fresh tomatoes to 168,757 tons, an increase of 18,000 tons from previous year. Spanish producers expect Morocco's quota for MY 2002/3 to remain at last season's level.

Imports of fresh tomatoes declined by about 48 percent in the first eight months of CY 2002. In addition, imports of tomato paste and whole peeled tomatoes declined respectively by about 61 and 14 percent during the same period. Total imports of processed tomatoes (paste and peeled tomatoes) declined dramatically to 9,440 tons in marketing year 2001/02 (July/June), down 52 percent from the previous marketing year. During the first eight months of CY 2002, imports of tomato paste from China rose sharply to 2,633 tons, up 88 percent in comparison with the same period of CY 2001.

Stocks

In CY 2002/3, stocks of tomatoes products are expected to decline due to lower production and to higher levels of exports.

Policy

Under the new CAP for processing tomatoes, subsidies are allocated to farmers instead of to industry. As a result, farmers in areas with higher productivity will have new incentives to expand their crops.

In MY 2001/02, farmers delivered 1,463,476 tons for processing, which was 224,870 tons over the EU quota. As a consequence, the EU imposed a penalty of 3.04 euros (\$2.76) which will be subtracted from the subsidy for paste and processing tomatoes (other than whole peeled) during 2002/03. The net subsidy will thus amount to 31.46 euros (\$28.60) per ton of fresh tomatoes for processing into paste or in other tomato products (other than whole peeled tomatoes). Tomatoes delivered for processing into whole peeled tomatoes will receive the full subsidy of 34.46 euros (\$31.30) per ton.

In Marketing year 2002/03, the amount of tomatoes delivered for processing is expected to be over the quota of 1,238,606 tons. However, no reduction in the subsidy is expected since EU production was below the total EU quota of 8.25 million tons.

Marketing

Since Spain is a substantial net exporter of fresh, canned tomatoes, and tomato products, imports of these items from the United States are unlikely. However, there is a growing demand for new tomatoes products like tomato-based sauces, barbecue sauces and ketchup which could provide niche markets for U.S. suppliers.